GOVERNMENT OF INDIA
COMMERCE AND INDUSTRY
LOK SABHA

STARRED QUESTION NO:551
ANSWERED ON:23.05.2006
FACILITIES TO EXPORT ORIENTED UNITS
Agarwal Shri Dhirendra;Patel Shri Jivabhai Ambalal

Will the Minister of COMMERCE AND INDUSTRY be pleased to state:

(a) the details of the facilities provided to export oriented units in the country;

(b) whether any instance of misuse of facilities provided to export oriented units has come to the notice of the Government during the last three years and the current year;

(c) if so, the details thereof alongwith the steps taken by the Government to ensure that the said facilities are not misutilised?

Answer

MINISTER OF COMMERCE AND INDUSTRY (SHRI KAMAL NATH)

(a): The details of the facilities provided to export oriented units are given in Chapter 6 of the Foreign Trade Policy which include(i) Duty Free Import of all inputs required for exports, including Capital Goods;(ii) Income Tax exemption upto 31.3.2009; (iii) Reimbursement of Central Sales Tax;(iv) Central Value Added Tax (CENVAT) credit on Service Tax Paid; and (v) Domestic Tariff Area sale of goods at concessional rate of duty.

(b) & (c) : Yes, Sir. Some instances of violation of stipulated policies & procedures relating to facilities provided to export oriented units have come to notice of the Government. A statement in this regard is laid on the Table of the House.

STATEMENT REFERRED TO IN REPLY TO PARTS (b) & (c) OF LOK SABHA STARRED QUESTION NO. 551 FOR ANSWER ON 23.05.2006 REGARDING `FACILITIES TO EXPORT ORIENTED UNITS`.

(b) & (c) : The nature of the violations noticed include:

Clandestine removal of goods into Domestic Tariff Area without prior permission; Showing sale of goods in Domestic Tariff Area through fake documents; Irregular sale of manufactured goods in Domestic Tariff Area by means such as under-valuation, sale in excess of entitlement; Under-valuation of Capital Goods at the time of debonding and/or non-installation of duty free Capital Goods.

The measures taken to curb such misuse include joint monitoring of the performance of the EOUs by the officers of Customs and Central Excise and Development Commissioners; Scrutiny of reports and returns filed by the EOUs; Regular visits by the field formation/preventive team of customs/central excise to EOUs to study the functioning of the units.

Action is also taken against such units for violation of provisions of FT(D&R) Act, 1992 by the concerned Development Commissioner by way of imposition of penalty, disallowing further sale in Domestic Tariff Area, cancellation of letter of permission etc. Similarly, action under Customs Act, 1962 and Central Excise Act, 1944 is also taken. Wherever necessary, amendments/modifications are made in the Policy and Procedures to plug potential misuse.